

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 12, 2011
POSITION: Oppose
SPONSOR: California Medical Association

BILL NUMBER: AB 589
AUTHOR: H. Perea

BILL SUMMARY: Medical School Scholarships

This bill would establish the Steven M. Thompson Medical School Scholarship Program within the existing Health Professions Education Foundation (Foundation) and create a medical school scholarship account within the Health Professions Education Fund to receive federal or private donations for the program. The program would provide scholarships up to \$105,000 to selected participants who agree to enter an accredited medical or osteopathic school and then to serve in a designated medically underserved area within the state. The program would be administered by the Office of Statewide Health Planning and Development (OSHPD) and the Foundation. The bill limits administrative cost to 5 percent of the total appropriation and would only be implemented to the extent that it receives sufficient funding.

FISCAL SUMMARY

It is estimated that this bill would require \$42,000 in other funds and 0.5 positions by OSHPD to administer the proposed program, including the activities to develop regulations, as well as to perform initial fundraising, marketing and outreach activities. This bill limits administrative cost to 5 percent of the total appropriation; consequently the fund would need \$840,000 annually in order to cover projected administrative cost. Given the funding history of other donation based scholarship programs it is unlikely that the new program could cover these administrative costs within the cap, which could result in the shifting of costs to other programs.

According to OSHPD, scholarship programs generally have higher administrative cost due to more extensive selection and monitoring activities over a longer period of time to ensure student participation, maintenance of grade point average, and ultimate service in some medically underserved area. They also have a higher rate of breached contracts that result in additional staff time to pursue collections. In contrast, existing loan repayment programs only make awards to licensed physicians who already work in medically underserved areas and have strong fiscal incentives to complete their contractual requirements.

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- The cost of establishing and administering this measure's new scholarship program does not seem prudent, particularly when more cost effective loan repayment programs currently exist that could better use the funding.
- Given the state's continuing fiscal challenges, the addition of new administrative responsibilities to OSHPD is not practical at this time especially given this bill's 5 percent cap on administrative cost.
- Several scholarship programs funded by private and public donations already exist within OSHPD and have not proven to be successful due to the lack of funding.

Analyst/Principal (0561) T. Williams	Date	Assistant Program Budget Manager	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AUTHOR

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AB 589

Current law authorizes the Steven M. Thompson Loan Repayment Program, which was created in 2003 to increase the accessibility to healthcare and promote the longevity of primary care physicians in medically underserved areas of California. Physicians receive up to \$105,000 in educational loan repayments for providing patient care in underserved areas for a minimum of three years. Since 2008, the program has awarded \$4.7 million to 48 physicians in underserved areas. In addition, since 2002 the Foundation oversees the California Pharmacist Scholarship and Loan Repayment Program, which is similar to what this bill proposes and is funded solely by donations. Since 2002 only \$88,000 has been received. Furthermore, two other scholarship programs that are funded by private and public donations (the Health Professions Education Scholarship Program and the Allied Healthcare Scholarship Program) have received no funding from any source since 2010.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
4140/Stwd Hth Pln	SO	No	-----	See Fiscal Summary			-----		8034
4140/Stwd Hth Pln	LA	No	-----	See Fiscal Summary			-----		8034
<u>Fund Code</u>	<u>Title</u>								
8034	Medically Underserved Account Physicians								